WHRB HARVARD RADIO BROADCASTING CO., INC.

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TELEPHONE 864-9550

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Dear Ivy Network Member:

The management of the Ivy Network has taken several recent actions which we believe not to be in the interests of the member stations. We are also concerned because the management has made important decisions on behalf of the Network with only a minimum of consultation with member stations. Since we believe that these actions will ultimately be harmful to Ivy stations, we are urging that you not sign your new service agreement until you consider the points we raise.

On September 28, 1972, Jim Lawrence--President of Ivy--signed an agreement with Harold H. Segal, a Boston representative. This agreement--which extends until July 31, 1977, and which cannot be terminated until 90 days before the expiration date--brings about several important changes in the Network. The most important change is that some members' FM stations are now being represented by Ivy, with the result that Ivy's method of payment has changed drastically. For all AM-only stations, this means a cut in compensation, amounting in some cases to a more than 50% reduction in revenue to the station.

Take, for example, Budweiser. Last year, the gross network cost per spot was $45. Each of 15 stations received one-fifteenth of this amount, or $3.00, as their gross per spot. The net payment per spot is 60% of gross, so each station received 60% of $3.00, or $1.80.

This year, all that has changed. Under the terms of a new rate schedule, the gross network cost for each Bud spot is $49. For only a $4-per-spot increase, Bud gets five FM stations in addition to their previous coverage. The only way this was possible was by cutting the rate paid to AM stations, so Ivy could pay the FM stations more. The new system provides that, instead of each station getting one-fifteenth of network gross (or 6 2/3%) as its own gross, AM stations get only 3% of the network gross. In the case of Budweiser, this means AM stations

get 3% of $49 as their gross per spot; so each station actually receives as net 60% of $1.47, or about 88¢ per spot. This, remember, compares with the $1.80 that AM stations would have received under the old system.

On the other hand, FM's are getting 10% of network gross as station gross; in the case of Budweiser, this means $4.90 gross, or $2.94 net. This differential was set up without consultation with most member stations, so that some stations--both AM (WTBS, for instance) and FM (WHRB, for instance)--aren't happy with the outcome.

Aside from the rate cut to AM's what are we concerned about? In the case of WHRB, Ivy has told the station that they--the management--do not intend to honor the present service agreement. Specifically, the New Haven management refuses to sell time for WHRB-AM and has been attempting to sell WHRB-FM--directly opposite what the service agreement says.

But why should WHRB object to getting more money, in exchange for putting spots on FM? Two reasons. First, most of the sales effort is being done in Boston and New York. Being located near Boston, WHRB doesn't want to have Ivy's representative contacting the same potential sponsors that WHRB's own salespeople are negotiating with (and this actually has happened). Second, WHRB already has a New York representative, and that representative has an exclusive contract--a contract he's not willing to break. Thus, Ivy's new plan has no appeal to WHRB-FM either--aside from the disadvantages to the AM stations.

In addition to the above, we believe that Ivy has been less than candid in its dealings with us. We have reason to believe that they have intentionally attempted to conceal, and at times misrepresent, the facts of the case. In general, they have been less than straightforward--to the point of not even telling member stations about the changes that have been made.

If you're an AM-only station, your old service agreement will remain in effect if you don't sign the new one, so you lose nothing by delaying; if you're an FM, you still have an interest in having some of the terms of the new service agreement rewritten. Consult with us before, and at, the fall meeting November 5. Your income, and the network's future, are at stake.

Bob Goldfarb, WHRB

Paul Green, WTBS